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TREASURY FOR PARODI/BLEIWEISS/AHERN
USDOC FOR 4520/ITA/MAC/ONE
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SUBJECT: LEBANON: CENTRAL BANK GOVERNOR SAYS LEBANON STILL NEEDS

REFORM (ECONOMIC WEEK IN REVIEW, AUGUST 17 - 23, 2009)

REF: BEIRUT 920

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CENTRAL BANK GOVERNOR: DESPITE BOOMING
ECONOMY, LEBANON STILL NEEDS REFORM

11. (SBU) The Lebanese economy is booming, with tourists pouring in, hotel occupancy rates high, bank deposits rising, and growth set to beat all forecasts. Nonetheless, Central Bank of Lebanon (CBL) Governor Riad Salameh told the Ambassador August 14 that Prime Minister-designate Saad Hariri needs to form a government that can take on the fundamental economic problems facing the country, including electricity provision, water management, telecom privatization, and environmental protection (reftel). Salameh described the efforts the CBL had undertaken to promote growth and development, but said the new government should take advantage of record capital inflows to finance infrastructure development that would increase job creation and promote growth. He believed turning over state assets to Lebanon's resilient private sector would benefit Lebanon, but said political buy-in is crucial, though difficult, because of the political class's dependence on the patronage state-owned institutions provide it. He asked that the United States be patient with Lebanon in its demands for increased budget transparency.

PRIVATE SECTOR INITIATIVE
TO SUPPORT YOUNG ENTREPRENEURS

13. (SBU) On August 19, Antoine Abou Samra, Managing Director of local NGO Bader, told EconOff and Econstaff that Bader will soon present workshops in under-privileged Lebanese areas (such as in Tripoli, the south, and the Bekaa) to educate young entrepreneurs on writing business proposals, using \$44,560 from the Embassy small

grants program. Bader will work with local partners such as social institutions and NGOs to recruit participants.

¶4. (SBU) Bader (Arabic for "take the initiative") was formed in 2006 by a group of successful Lebanese businessmen to provide technical and financial support to young entrepreneurs for start-ups and SMEs that have potential for regional or international reach. Abou Samra said Bader is now in the implementation phase of several initiatives, including developing a "faith loan" program to lend at zero-percent interest, starting a Lebanese Business Angels program to encourage equity participation from investors in start-ups and small enterprises, increasing scholarships for higher education, embarking on a sustainable mentorship program, and strengthening ties between Bader members and the Lebanese diaspora.

SWINE FLU CASES REACH 500

¶5. (U) According to the Ministry of Public Health (MOPH), the number of swine flu cases reached 500, up from 105 in mid-July. Most patients were youth and children, the statement said. On July 31, the MOPH confirmed Lebanon's first death attributed to swine flu, a cancer patient in a Beirut hospital. Minister of Health Mohammad Khalifeh noted that the MOPH will purchase vaccines for swine flu, which will be available in 2-3 weeks in government hospitals across the country at subsidized prices.

INTERNET AND MOBILE PENETRATION RISE IN 2008

¶6. (U) According to the International Telecommunications Union (ITU), Lebanon ranked 63 out of 207 countries worldwide and third

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out of 20 MENA countries in 2008, up from 75 worldwide and seventh regionally in 2007, in terms of internet penetration. Lebanon's internet penetration was at 37.7%, up by 10.9% from 2007, and higher than the MENA average of 23.9%. The aggregate number of internet users rose by 65.3% to over 1.5 million in 2008. The ITU also noted a 16% surge in mobile phone penetration, which came at the expense of fixed lines, mainly attributed to the reduction in mobile fees implemented at the beginning of the year by Minister of Telecom Gebran Bassil. Despite increased internet penetration and reduced mobile fees, the quality of both services remains behind international standards.

LEBANON'S PER CAPITA INCOME AT \$6,350 IN 2008

¶7. (U) The World Bank's (WB) annual survey on gross national income (GNI) per capita ranked Lebanon 94 out of 210 countries worldwide, and sixth out of 13 MENA countries, in terms of GNI per capita at purchasing power parity (PPP) in 2008. Lebanon's GNI per capita at PPP was estimated at \$10,880, below the MENA average of \$14,389. Meanwhile, Lebanon ranked 89 worldwide and seventh within MENA countries in terms of GNI per capita (non-PPP) in 2008. Lebanon's GNI per capita was estimated at \$6,350, roughly half the MENA average of \$12,643.

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